Inclusiv 2024 Policy Platform

About Inclusiv

Inclusiv works with our member community development credit unions (CDCUs) to advance policies that support low-income people and communities in achieving financial independence and foster the creation of cooperatives dedicated to quality housing, better jobs, stronger businesses and wealth that remains and recycles in resilient, climate-prepared communities.

Growing the Community Development Credit Union Movement

Community development credit unions provide safe and affordable financial services and loans that help low- and moderate-income communities and communities of color that have been shut out of the mainstream financial system thrive. CDCUs are member owned and governed and ensure that community members' deposits are reinvested in the local economy, including in small and worker-owned businesses, both traditional and cooperative homeownership, and investments in clean energy projects and energy efficiency upgrades for homeowners. CDCUs are also a vital part of the cooperative movement and have a long history of partnering with worker cooperatives, community land trusts and other housing cooperatives, and consumer and producer cooperatives to build democratic institutions that support community wealth building, household financial well-being, and thriving neighborhoods.

The NCUA and other regulators' providing a supportive policy and regulatory environment that encourages responsible services to low-income members and communities is critical to enable CDCUs to grow, expand their services, deepen their impact, and achieve scale and sustainability. To reach these goals, CDCUs need sustained sources of capital to flow into the historically redlined and under-resourced communities they serve through public investment, private investment, and public-private partnerships. In addition, capacity building support will help new and smaller institutions grow and increase their capacity to meet their communities' financial needs.

Inclusiv is working to achieve:

- Robust Congressional funding for the Community Development Financial Institutions (CDFI) Fund to ensure eligible CDFI credit unions, especially Minority Depository Institution (MDI) CDFI credit unions that face systemic barriers to access to capital, are able to access grant funding to expand their services to members.
- A Congressional allocation of at least $10 million to the National Credit Union Administration's (NCUA) Community Development Revolving Loan Fund for grant funding to ensure the agency has sufficient grant-making capacity to meet the credit union movement's needs.
- Expanded benefits associated with the NCUA's MDI designation to encourage credit unions to certify as MDIs and support the ongoing growth and success of existing MDIs. The recent change allowing MDIs to apply for Community Development Revolving Loan Fund grant funding was a positive first step in this direction. Increasing the NCUA's investment in both programmatic and financial support for MDIs will spur economic development in historically redlined neighborhoods and help build an equitable financial system.
- All community development programs and funding opportunities are available to cooperativas. Cooperativas are financial cooperatives serving Puerto Rico that are too often excluded from

credit union resources and programs because they are state regulated and insured by the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico (COSSEC) rather than by the NCUA. Congress and federal agencies should ensure that community development program legislation and regulation include these vital institutions and other state-regulated credit unions.

- The removal of COSSEC as a covered entity under the Puerto Rico Oversight, Management, and Economic Stability Act by the Financial Oversight and Management Board. COSSEC's status as a covered entity has created obstacles for cooperativas' lending and economic development activities despite their demonstrated success in advancing community development and catalyzing economic growth.
- The continued growth of the CDCU movement through high-impact private investment. Impact-focused organizations and coalitions, like the Economic Opportunity Coalition, should prioritize investment in and developing partnerships with CDCUs, especially MDIs, to help address the significant racial disparities in our financial system. This support could take many forms, including deposits, credit enhancements or guaranties for small business lending, subordinated debt investments, and/or grants.

Inclusiv supports the following strategies to drive additional capital to the CDCU movement:

- Creating state-level CDFI Funds. State-level CDFI Funds are an effective community development strategy that can support CDCUs in lending deeper in their communities and expanding products and services. States that have not already created state-level CDFI Funds should create and fund such programs to ensure CDFIs in their states have the resources needed to advance equitable economic development in the communities they serve.
- Launching public banks. Public Banking is a growing movement with significant potential to support CDCUs as public banks can provide liquidity, make subordinated debt investments, participate in lending with credit unions, and offer credit enhancements to support CDCU lending. Public banking is a well-established model as more than 900 public banks exist around the world. And, the century-old Bank of North Dakota has played a key role in preserving small financial institutions: North Dakota has the most local banks and credit unions per capita of any state. Both the federal government and state governments should enact enabling legislation to support the creation of a network of state and local public banks.
- Removing barriers to public deposits. States and localities that do not permit credit unions to accept public deposits should remove these barriers to spur local economic development and ensure localities, especially those that are underserved by the mainstream banking system like small towns in rural areas, have access to the banking services local governments need.
- Deepening the Community Reinvestment Act's (CRA) focus on racial equity. The CRA is foundational to the community development field. Its provisions that hold banks accountable for serving all communities equitably and recent updates to CRA regulations will help advance economic justice and climate preparedness. It is vital that the federal banking regulators continue to strengthen CRA, particularly by incorporating race and ethnicity into CRA examinations to ensure the law achieves its goal of addressing mortgage redlining and systemic racism in our financial system.

Building Wealth & Thriving Neighborhoods through Homeownership

Widening racial disparities in homeownership and the skyrocketing cost of housing have put homeownership out of reach for many people. But CDCU lending designed to address longstanding racial biases in credit reporting and appraisals, alongside support for affordable homeownership options like community land trusts and limited-equity cooperatives, create opportunities for more people to stabilize their housing and build generational wealth. CDCUs have a critical role to play in closing the racial wealth gap by ensuring equitable access to fair and affordable loans for single family and cooperative homeownership, especially in historically redlined and other under-resourced neighborhoods.

Inclusiv is working to achieve:

- A secondary mortgage market that works for CDCUs and supports their high-impact mortgage lending. Specifically, the Federal Housing Finance Agency should ensure the GSEs are able to purchase, at scale, well-underwritten loans made to people facing barriers to homeownership, including ITIN holders, and should continue its work to improve both access to and the utility of the Federal Home Loan Bank System's programs for CDFIs and Puerto Rico's cooperativas.

Inclusiv supports the following strategies to build thriving neighborhoods through homeownership:

- Providing down payment assistance and other supports to first-generation homebuyers and others facing systemic barriers to homeownership.
- Investing in research and data collection on shared equity homeownership models to document their successes and support the creation of additional federal programming to help this vital homeownership model grow.
- Increasing investment in climate resilience for homeowners, especially in front-line communities that are bearing the brunt of climate disasters while facing significant increases in homeowner's insurance costs, insurance companies pulling out of markets, and recurring rebuilding costs after disasters.
- Addressing the dual insurance crises of insurance redlining of Black communities and other communities or color and the surging cost and lack of availability of homeowner's insurance in front-line communities facing climate disasters. Lack of affordable insurance options can lock people out of homeownership, endanger long-term homeownership and significantly reduce geographic and economic mobility.

Advancing Equity through Small Business Lending

CDCUs play a vital role in supporting small business owners, including worker-owned businesses, with both loans and technical assistance that help small businesses grow and create quality jobs in their local economies. This work is especially needed to address racial disparities in small business ownership that deepened during the COVID-19 pandemic. Black-owned and Hispanic-owned businesses suffered an initial pandemic closure rate more than twice that of white-owned businesses (40% and 37% respectively, compared to 17%). Given that Black and Hispanic business owners are more likely to hire other people of color than white business owners and provide critically needed services in low- and moderate-income communities, CDCU support for small businesses is needed more now than ever.

Inclusiv is working to achieve:

- Effective Small Business Administration (SBA) programming and resources targeted to CDCUs. SBA programs should be available and accessible to CDCUs working to support small business owners in their communities. For example:
    - The Community Advantage Program should be opened to CDFI credit unions or a parallel CDCU program should be created. Limiting the program to non-depository CDFIs excludes hundreds of institutions with deep connections in low-income communities, immigrant communities and communities of color from offering this well-designed product to their members.
    - The SBA should create a simplified process for loan purchase guarantees for very small loans ($25,000 or less) to support small business owners in building their credit histories and reduce administrative burden for the small, mission-driven CDCU lenders that typically provide very small business loans.
- Equitable access to small business loans for ITIN holders. The SBA should permit small business owners with ITINs to access loans with SBA guarantees. Immigrants are especially likely to open small businesses and make up one in five American small business owners, making full access to SBA programs for ITIN holders a critical equity issue.

Inclusiv supports the following strategies to advance equity through small business lending:

- Expanding the reach of the U.S. Treasury's State Small Business Credit Initiative (SSBCI). Many states are participating in SSBCI, but this critical capital and technical assistance funding meant to reach historically underserved communities too often does not reach the smallest businesses and most underserved entrepreneurs—especially ITIN holders. By developing stronger partnerships with CDCUs, like the one New York State is exploring through Inclusiv, SSBCI can spur economic growth and ensure SSBCI programs meet the needs of historically redlined and other under-resourced communities.
- Increasing NCUA supports for CDCUs engaged in high-impact small business lending. The NCUA can better support CDCUs in serving small businesses by shifting the agency's small business lending examination focus to supporting CDCUs in building sustainable, robust small business lending programs and ensuring specialized lending examiners have small business lending experience.

Creating Climate Resiliency & Ensuring Equity in Climate Finance

CDCUs are already playing a leadership role in equitable climate finance, as hundreds of credit unions now offer green loans and Puerto Rico's cooperativas are leading the way in climate preparedness and resiliency. CDCU green lending is as diverse as the movement itself, spanning solar systems and other clean energy technology, electric vehicle loans and charging infrastructure, and home improvements that help CDCU members decrease their energy cost burden—which is disproportionately high in the low-income communities and communities of color CDCUs serve—while reducing greenhouse gas emissions. It is critical for the CDCU movement to mobilize around climate action as the communities of color and low-income communities CDCUs serve are on the front lines of climate disasters but often lack access to affordable and appropriate climate finance solutions.

As the Environmental Protection Agency prepares to disburse $27 billion in Greenhouse Gas Reduction Fund grants in 2024, and the Inflation Reduction Act makes a minimum of $374 billion in climate-related investment dollars available through incentives such as tax credits, rebates, and other subsidies, it is critical that the CDCU movement is ready to mobilize to ensure the low-income communities, front-line communities and communities of color that CDCUs serve can benefit fully from this transformative investment.

Inclusiv is working to achieve:

- The creation of a Climate Resilience Office at the NCUA, which can help strengthen the credit union system by proving critical guidance to prepare credit unions for climate risk and respond to and recover from natural disasters and other climate events.
- Strong NCUA support for CDCUs engaged in green lending. The NCUA should invest in examiner training to ensure that all examiners understand how to fairly evaluate the financial returns and any related risks as credit unions expand their green loan product offerings as Greenhouse Gas Reduction Fund resources become available to credit unions. NCUA staff have a vital role to play in guiding credit unions on best practices in consumer protection with this anticipated expansion of credit union green lending. Specifically, the NCUA should establish a dedicated fund to provide technical assistance to small and MDI credit unions and offer guidance on implementing and enhancing consumer protection measures related to green lending.

Inclusiv supports the following strategies to build climate resiliency and equity in climate finance:

- Ensuring Inflation Reduction Act (IRA) tax incentives advance racial equity along with emissions reduction. As the U.S. Treasury Department develops rules to implement the IRA's tax incentives, it is critical that Treasury design the rules with a strong focus on ensuring our shared goal of increasing opportunity for communities of color is met. Once the tax incentive programs are active, Treasury should monitor the performance of the programs to ensure they are meeting their racial equity and emissions reductions goals and revisit the program rules, if necessary to achieve these goals.
- Deepening federal Department of Energy and state energy offices' engagement with CDCUs. CDCUs can support these offices in reaching low-income communities and communities of color to advance equitable climate finance and address racial and ethnic disparities in energy cost and pollution burden.

Building Financial Well-Being through CDCUs

CDCUs play a critical role in advancing financial inclusion and building their members' financial well-being, especially CDFI and MDI credit unions that serve and are governed by low-income people and communities and Black, Hispanic, Asian and Native people and communities. All CDCUs share a mission of financial inclusion and offer safe and affordable services to their members. Providing appropriate resources and programming to support their work and ensuring a level playing field of strong consumer protection regulation will help CDCUs support their members' financial well-being and will protect CDCUs' members from being targeted by predatory financial services providers.

Inclusiv is working to achieve:

- Robust and well-designed consumer protections and an independent Consumer Financial Protection Bureau (CFPB). Strong consumer protection is a vital component of an equitable financial system and an independent CFPB is critically needed to rein in predatory lenders and ensure that the people and communities CDCUs serve are not targeted for unfair, deceptive or abusive financial products and services. As the CFPB works toward finalizing its new rule on overdraft, the agency should ensure robust consumer protections are in place and create an implementation timeline that will allow small, under-resourced credit unions enough time to update their business plans and operating practices to make up lost overdraft fee income through increased lending or more equitable fee structures.
- The elimination of predatory lending, most notably bans on payday lending through interest rate caps. States with strong usury laws that include interest rate caps save their residents billions of dollars each year by preventing payday lenders from operating in their states and charging triple-digit interest rates. Inclusiv supports a strong national interest rate cap for all lenders, state interest rate caps, and the continuation of the NCUA's 18% interest rate ceiling, which has been in place since 1987. These policy tools ensure access to affordable credit and prevent damaged credit, loss of bank accounts and other negative outcomes that often result from payday lending.
- A just, cooperative financial system that effectively addresses structural racism. Systemic racism is pervasive in the U.S. financial system and it is critical that lenders design and implement lending programs to address the racial and ethnic disparities in homeownership, wealth, and small business outcomes. This work should be complemented by public policy that advances equity by investing in CDCUs, holding lenders accountable for lending to people and in communities of color through data disclosure laws, and promoting the use of special purpose credit programs designed to address inequities based on race, ethnicity and other protected classes.